

TOWN OF PARADISE
Single Audit Report
Fiscal Year Ended June 30, 2008

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Town of Paradise

Single Audit Report

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of the Town Council
of the Town of Paradise
Paradise, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise (Town) as of and for the fiscal year ended June 30, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (2008-1 to 2008-5).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Paradise in a separate letter dated February 20, 2009.

The Town of Paradise's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Paradise's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town Council, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
February 12, 2009



MOSS, LEVY & HARTZHEIM LLP

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of the Town Council
of the Town of Paradise
Paradise, California

Compliance

We have audited the compliance of the Town of Paradise (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The Town's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over

compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated February 12, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Town Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
February 12, 2009

Town of Paradise

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor	Federal CFDA Number	Grant ID Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant (2004)	14.218	B-04-MC-06-0051	\$ 1,850
Community Development Block Grant (2006)	14.218	B-06-MC-06-0051	19,875
Community Development Block Grant (2007)	14.218	B-07-MC-06-0051	133,064
Passed through the State of California:			
HOME Investment Partnership Program (2005)	14.239	05-HOME-1682	336,539
HOME Investment Partnership Program (2007)	14.239	07-HOME-3086	138,450
Total U.S. Department of Housing and Urban Development			629,778
U.S. Department of Transportation:			
Passed through California Department of Transportation:			
Highway Planning and Construction (CMAQ)	20.205	RPMCML-5425(010)	911,783 *
Highway Planning and Construction (TEA)	20.205	RPSTPLE-5425(019)	380,878 *
State and Community Highway Safety (TEDD)			
(Traffic Enforcement Development Detail)	20.600	AL0611	10,103
State and Community Highway Safety (AVOID)	20.600	AL0676	34,306
Total U.S. Department of Transportation			1,337,070
U.S. Department of Agriculture:			
Passed through the State of California:			
Fire Assistance Reimbursement - Wild Horse Zone	10.452	04-FI-11051150-023	9,543
Fire Assistance Reimbursement - Red House Complex	10.452	04-FI-11051150-023	10,219
Fire Assistance Reimbursement - Zaca 2 Live Oak	10.452	04-FI-11051150-023	28,519
Fire Assistance Reimbursement - Antelope Complex	10.452	CA-PNF-000396	24,921
Fire Assistance Reimbursement - Elk Fire	10.452	CA-PNF-000396	16,819
Fire Assistance Reimbursement - Moonlight	10.452	CA-PNF-000670	96,691
Total U.S. Department of Agriculture			186,712 *
U.S. Department of Justice:			
Bulletproof Vest Partnership Grant	16.607		6,044
Total U.S. Department of Justice			6,044
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,159,604

* Denotes Major Program

See accompanying notes to the schedule of expenditures of federal awards

Town of Paradise

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

1. REPORTING ENTITY

The financial reporting entity consists of the primary government, Town of Paradise (Town), and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within special revenue, debt service, and capital projects funds of the Town. The Town utilizes the modified accrual method of accounting for the special revenue, debt service, and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activities of all federal financial assistance programs of the Town. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California are included in the Schedule.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the Town.

3. PROGRAM DESCRIPTIONS

U. S. Department of Housing and Urban Development

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) Program was authorized under Title I of the Housing and Community Development Act of 1974. The primary objective of the CDBG Program is the development of viable urban communities, including adequate housing, a suitable living environment, and expansion of economic opportunities, principally for persons of low to moderate income. Under this program, the Department of Housing and Urban Development (HUD) distributes funds based upon approved applications to eligible local governmental units for the purpose of community improvement and betterment.

HOME

The objective of the HOME Program is to expand the supply of affordable housing, to strengthen the abilities for achieving adequate supplies of affordable housing, to provide financial and technical assistance for developing affordable housing, and to strengthen partnerships in the production and operation of affordable housing.

Town of Paradise

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

3. PROGRAM DESCRIPTIONS (Continued)

U. S. Department of Transportation

Highway Planning and Construction

The objective of the Highway Planning and Construction cluster is to: (1) assist states in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the national highway system, including interstate highways and most other public roads; (2) provide aid for the repair of roads following disasters; (3) foster safe highway design and replace or rehabilitate structurally deficient or functionally obsolete bridges; and (4) provide for other special purposes.

State and Community Highway Safety

The State and Community Highway Safety grant funds are to be used for problems identified within the nine national priority program areas of Alcohol and other Drug Countermeasures, Police Traffic Services, Occupant Protection, Traffic Records, Emergency Medical Services, Motorcycle Safety, Pedestrian/Bicycle Safety, Speed Control, and Roadway Safety.

U. S. Department of Agriculture

Fire Assistance Reimbursement

These funds are reimbursements for the services provided by the Town of Paradise's Fire Department to neighboring areas. The Paradise Fire Department provides resources in response to requests from agencies that have agreements with the Town of Paradise's Fire Department.

U. S. Department of Justice

Bulletproof Vest Partnership Grant

The Bulletproof Vest Partnership Program was authorized under Bulletproof Vest Partnership Grant Act of 1998, Public Law 105-181, June 16, 1998, and Bulletproof Vest Program Act of 2000, Public Law 106-517. The primary objective of the program is to protect the lives of law enforcement officers by helping State, local, and tribal law enforcement agencies provide officers with armored vests.

TOWN OF PARADISE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weakness (es) identified?

_____ Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section 510 (a)

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.205

Highway Planning and Construction

10.452

Fire Assistance Reimbursement

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee:

_____ Yes X No

TOWN OF PARADISE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Section II – Findings – Financial Statement Audit

2008-1. Finding – Lack of internal controls:

During the review of internal controls, the following deficiencies in internal controls were noted:

- A. Payroll department inputs all employee information into the payroll system, including wage rates.
- B. Accounts payable checks are returned to the preparer after they are signed.
- C. The employee who requisitions a purchase is also the employee that receives the item.

Effect:

When there is a deficiency in internal controls, the risk of misappropriation of public funds is increased and fraud and or collusion could occur without detection.

Recommendation:

We recommend the Town ensure that these internal control deficiencies are rectified with increased segregation of duties and the establishment of a centralized purchasing and receiving position.

Responses:

- A. Although the Senior Financial Services Clerk inputs the employee information into the payroll system, each payroll and all wage data information is reviewed by the Finance Supervisor. In fact, each step in the payroll process including calculations and adjustments are reviewed by both the Senior Financial Services Clerk and the Finance Supervisor.
- B. For the time being accounts payable checks will continue to be returned to the preparer after they are signed for mailing and distribution. Unfortunately, the Town does not have the resources to designate another person to this task. There are many other steps in the accounts payable process that mitigate the opportunity for fraud. Generally each batch is input by someone other than the Accounts Payable Clerk. The Accounts Payable Clerk then proofs and validates the batches before payment. Also, each check is reviewed and signed by someone outside of the Finance Department. The Finance Director also reviews each check register looking for unusual or suspicious activity.
- C. Currently the Town does not have the resources to designate one person to a centralized purchasing and receiving position. Currently Town Hall deliveries are received by the Finance Department, but the Finance Department is not reconciling the delivery to any purchase report. Those who review and track the budget progress are generally not the same individuals doing the ordering.

TOWN OF PARADISE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Section II -- Findings -- Financial Statement Audit (Continued)

- 2008-2. Finding -- No reviewer's signature on journal entries:
During the review of journal entries, it was noted that five journal entries were not signed by the reviewer.
- Effect:
When there are no reviewer's signatures on journal entries, it is difficult to determine if the entries were reviewed and authorized by a responsible employee and a misstatement of the Town's financial information could occur.
- Recommendation:
We recommend that the Town ensure that all journal entries are reviewed and signed by a responsible employee.
- Responses:
The Finance Department has implemented a procedure as of July 1, 2008 that all journal entries are reviewed and signed by the Finance Director. Further, journal entries prepared by the Finance Director are reviewed and signed by the Finance Supervisor.
- 2008-3. Finding -- Incomplete I-9 forms:
During the test of payroll, it was noted that six I-9 forms were incomplete in various manners.
- Effect:
Without having complete I-9 forms on file, the employees have not completed the requisite forms to be employed by the Town. In case of a Department of Justice audit, the Town could be fined for these infractions.
- Recommendation:
We recommend that the Town ensure that all employees have completed I-9 forms on file.
- Responses:
The Town ensures that the incomplete I-9 forms discovered during the audit have been corrected. In addition, the Town has completed an internal audit of all current employee I-9 forms and is in the process of correcting any discrepancies found.
- 2008-4. Finding -- Supporting documentation not sufficient:
During the review of credit card payments, it was noted that two credit card statements did not include sufficient information to justify the purchases made. (Ck#33532 and 35912)
- Effect:
Without sufficient supporting documentation to justify charges on credit card statements, it is difficult to determine if those charges are appropriate according to the Town's policies and a misappropriation of funds could occur.
- Recommendation:
We recommend that the Town ensure that all credit card statements are accompanied by sufficient supporting documents.

TOWN OF PARADISE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Section II – Findings – Financial Statement Audit (Continued)

2008-4. Finding – Supporting documentation not sufficient (Continued):

Responses:

The Finance Department has revised its procedures to have the Accounts Payable Clerk more thoroughly review the supporting documentation and description of each credit card transaction. The Accounts Payable Clerk has also been given authorization to reject individual invoices until the appropriate documentation and descriptions are provided.

2008-5 Finding – Fees not listed in master fee schedule:

During the test of cash receipts, it was noted that two fees charged could not be found in the master fee schedule. (\$61 residential swimming pool plumbing fee, \$47 energy inspection building permit fee)

Effect:

When the fees being charged have not been authorized by Town Council, the Town is not in compliance with the Council approved master fee schedule.

Recommendation:

We recommend that the Town ensure that all fees charged have been authorized by the Town Council and are listed in the master fee schedule.

Responses:

We have reviewed the finding related to the Master Fee Schedule and have found that the fees questioned have been clarified on our new Master Fee Schedule effective January 17, 2009.

TOWN OF PARADISE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

NONE

TOWN OF PARADISE
STATUS OF PRIOR YEAR'S FINDINGS
For the Fiscal Year Ended June 30, 2008

Prior Year's Findings – Financial Statement Audit

2007-1 Finding – Lack of approval signature:

During our review of credit card statements, we noted that 2 out of 5 credit card purchases did not have approval signatures present on the invoices.

In addition, during our review of reimbursements, we noted that 3 out of 5 reimbursements reviewed did not have approval signatures present on the reimbursement forms.

Effect:

Without proper approval by authorized personnel, unauthorized payments may be made.

Recommendation:

We recommend that the Town ensure invoices and related supporting documentation are approved by authorized personnel prior to processing the payment.

Status:

Implemented

2007-2 Finding – Lack of sufficient supporting documentation:

During our review of credit card statements, we noted that 2 out of 5 transactions reviewed had insufficient backup documentation to support the transactions.

In addition, during our review of reimbursements, we noted that 2 out of 5 reimbursements reviewed had insufficient backup documentation to support the transactions.

Effect:

Without proper supporting documentation, we are unable to verify if the payments were properly authorized. Improper purchases could lead to a misappropriation of funds.

Recommendation:

We recommend that the Town obtain/retain adequate supporting documentation for all goods or services purchased.

Status:

Not implemented – See Finding #2008-4

2007-3 Finding – No W-4 form:

During our test of payroll, we noted that 3 out of 25 W-4 forms were not obtained/retained.

Effect:

Without W-4 forms, the Town may be withholding incorrect tax amounts for employees.

Recommendation:

We recommend that the Town obtain/retain a completed W-4 form in each employee's personnel file.

Status:

Implemented

TOWN OF PARADISE
STATUS OF PRIOR YEAR'S FINDINGS
For the Fiscal Year Ended June 30, 2008

Prior Year's Findings – Financial Statement Audit (Continued)

2007-4 Finding – Payroll errors:

During the fiscal year 2006-2007 the Town implemented the use of a new payroll software. The payroll clerk, who was in charge of this new payroll system for the Town, made errors by inputting incorrect information into the new payroll system. The errors resulted in incorrect payments to employees/vendors and incorrect data in the payroll system. This employee also circumvented the payroll procedures which resulted in additional errors. The errors that we noted from our test of the payroll system are as follows:

1. There were inconsistencies with the actual check number on the check and the check number stated on the payroll system. Upon further review, we noted that some of the checks shown on the payroll register were voided/cancelled. Because of these inconsistencies, it was difficult to verify the payroll checks.
2. There were incorrect payments to vendors. One such incorrect payment was to the Internal Revenue Service which resulted in a penalty amount of \$2,244.98
3. The payroll clerk made unauthorized changes to the pay rates of employees. During our test of payroll, we noted that two out of eight employees received an additional 1% pay increase without any authorization. Since these incorrect rates were used as base rates for the calculation of the new salary schedule by personnel, the new salary schedule was incorrect. We also noted that two employees received longevity pay increases prior to their respective anniversary date. Additionally, we noted that another employee received a new pay rate prior to the effective date as per Town Council approval. The payroll clerk made a duplicate copy of the previous approved Personnel Transaction Form of this employee in order to process the higher pay rate for this employee.

We also noted that the payroll clerk referenced above was overpaid by an amount of \$954.62, but this amount has not been collected by the Town. In addition, there was no supporting documentation to support the pay rate of this payroll clerk. Employees are to be paid the amount stated on their respective initial offer letters, but this employee's letter could not be located by the Town. Subsequent to the above occurrences, the Town terminated the payroll clerk in question, and has taken steps to correct the errors that have occurred.

Effect:

The deficiency in the payroll system created what appears to be a misappropriation of funds.

Recommendation:

We recommend that the Town review its payroll records and its procedures in order to correct the errors, and implement new procedures to eliminate the possibility of the above occurrences from recurring.

Status:

Implemented

TOWN OF PARADISE
STATUS OF PRIOR YEAR'S FINDINGS
For the Fiscal Year Ended June 30, 2008

Prior Year's Findings – Financial Statement Audit (Continued)

2007-5 Finding – Deposit is not made regularly:

During our test of cash receipts of the animal control department, we noted that 4 out of 5 cash receipts were deposited more than 5 days after its receipt date.

Effect:

Cash receipts should be deposited daily to ensure proper safeguarding of assets.

Recommendation:

We recommend that the Town deposit cash receipts on a regular basis.

Status:

Implemented

2007-6 Finding – Building Permit Form was not filled out completely:

During our cash receipts test of building permits, we noted that the applicants did not sign the "Owner-Builder Declaration" and "Workers Compensation Declaration" sections of the building permit form.

Effect:

Without the proper signatures, the building permit forms may be not valid.

Recommendation:

We recommend that the Town ensure that all of the forms are signed by the respective applicants before the building permits are issued.

Status:

Implemented

2007-7 Finding – Discrepancy for fee that was charged:

During our cash receipts test, we noted the following discrepancies in the fees charged:

- 1 For the Police Department, we noted that one receipt has an audio fee charged at an old rate. The customer was underbilled by \$2.
- 2 For the Community Development Department, we noted that one receipt for a tree felling permit from the planning division did not have the general plan update fee assessed. A total of \$2.52 of general plan update Fee was underbilled.

TOWN OF PARADISE
STATUS OF PRIOR YEAR'S FINDINGS
For the Fiscal Year Ended June 30, 2008

Prior Year's Findings – Financial Statement Audit (Continued)

3. For the building permits, we noted that the job valuation in the calculation work paper had been revised but the valuation amount was not updated on the building permit.
4. We also noted that two building permits reviewed had an incorrect building permit fee based on the project valuation. Each customers was overbilled by \$2.
5. We also noted that the garage area was included in the calculation of "Residence/Garage fee" under the electrical permit. According to the fee schedule, the residential fee does not include the garage area. Thus, a total of \$47.70 was overbilled.
6. In addition, we noted that "Wood or Pellet Stove" fee was not listed under the mechanical permit fee on the master fee schedule.
7. We also noted that two building permits had an incorrect fee assessed for the circuits fee charge. According to the fee schedule, the circuits' fee which is categorized as "Residential Appliances" under electrical permit is \$5 each; however, it was charged at \$4.75. In total, the three customers were underbilled by \$1.25.
8. We also noted that one building permit fee had an incorrect charge for the "New Technologies fee". According to the fee schedule, it should be charged at 9% of the permit fee, but it was charged at 12%. The customer was overbilled by \$1.68.
9. We also noted that one building permit reviewed had no technologies fee assessed. According to the fee schedule, the technologies fee should be assessed at 4% of the plan check fee. Thus, a total of \$4.40 was underbilled.
10. We also noted that one demolition permit reviewed was calculated incorrectly. The customer was overbilled by \$1.00.
11. In addition, we noted that one building permit reviewed did not have the \$24 permit issuance fee assessed for the demolition permit. Thus, a total of \$24 was underbilled on the permit.
12. We also noted that one building permit reviewed had an incorrect plan check fee due to an incorrect building permit fee. Thus, a total of \$1.30 was underbilled on the permit.

Effect:

The Town may have overcharged/undercharged the customers because the departments are not using the board approved fee schedule. Because of this, the policies and procedures set in place are not being properly followed.

Recommendation:

We recommend that the Town ensure that all proper fees and related charges are assessed to the respective permit. The fee should be based on the supporting documentation and the board approved fee schedule.

TOWN OF PARADISE
STATUS OF PRIOR YEAR'S FINDINGS
For the Fiscal Year Ended June 30, 2008

Prior Year's Findings – Financial Statement Audit (Continued)

Status:

Not implemented – See Finding #2008-5

2007-8 Finding – Internal Controls:

During our review of internal controls, we noted that once the accounts payable checks are signed, they are returned to the employee that processed the checks for payment.

Additionally, we noted that there is no central receiving department/personnel. The person that orders the goods is also the person that receives the goods.

Lastly, we noted that the same person that receives the money also deposits the money into the bank.

Effect:

Without proper segregation of duties and controls, misappropriation of funds could occur.

Recommendation:

We recommend that the task of processing checks and the task of handling the signed checks be performed by separate employees.

Additionally, we recommend that the task of ordering goods and the task of receiving goods be performed by separate employees.

Lastly, we recommend that the task of receiving money and the task of depositing money be performed by separate employees.

Status:

Not implemented - See Finding #2008-1

TOWN OF PARADISE
STATUS OF PRIOR YEAR'S FINDINGS
For the Fiscal Year Ended June 30, 2008

Prior Year's Findings and Questioned Costs – Major Federal Award Programs Audit

NONE